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DJIA **25133.01** -0.61% ▼

Nasdaq **7147.49** -0.74% ▼

U.S. 10 Yr **6/32 Yield** 3.122% ▲

Crude Oil **56.71** 1.83% ▲

Euro **1.1312** 0.19% ▲

# THE WALL STREET JOURNAL.

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MARKETS | COMMODITIES

## Global Oil Supply to Outstrip Demand on Record U.S., Russia, Saudi Production

IEA says oil output from the world's three biggest oil producers is holding global supply steady



A floor hand works on the main platform at an EOG Resources oil rig in Gillett, Texas. PHOTO: MATTHEW BUSCH FOR THE WALL STREET JOURNAL

*By Christopher Alessi*

Updated Nov. 14, 2018 6:44 a.m. ET

LONDON—The U.S., Russia and Saudi Arabia are churning out crude at record levels, causing global supply to significantly outstrip demand, the International Energy Agency said Wednesday.

The wave of new oil threatens to exacerbate the steep fall in crude prices, as markets reassess the global supply and demand balance. After falling more than 7% on Tuesday, U.S. crude prices were up modestly early Wednesday.

In its closely watched monthly oil market report, the IEA said oil output from the world's three biggest producers is holding global supply steady, at around 100.7 million barrels a day last month. That is 2.6 million barrels a day higher than the same period last year.

Since May, global oil output has climbed by 1.8 million barrels a day. The U.S. has provided 1 million barrels a day of growth and Saudi Arabia and Russia added 620,000 barrels a day and 445,000 barrels a day, respectively, the agency said.

The IEA, a Paris-based organization that advises governments and corporations on energy trends, noted those gains were more than offsetting reductions in output from Iran due to U.S. sanctions and supply outages in Venezuela.

Saudi Arabia's oil supply rose to 10.65 million barrels a day in October from September, while Russian crude and condensate production soared to 11.4 million barrels a day, according to the report. The agency said that preliminary data for the U.S. showed output rose sharply last month, potentially rising to 11.6 million barrels a day in early November—solidifying its spot ahead of Russia as the world's largest producer of crude.

In its annual World Energy Outlook report published on Tuesday, the IEA predicted that the boom in U.S. shale development would see it account for roughly half of global crude and natural growth by 2025.

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The IEA's oil and market report comes after crude prices have fallen into bear-market territory, with prices down more than 20% since four-year highs reached at the start of October. The slide

was a response to rising supply and weakening global economic growth that investors fear could weigh on oil demand. The decision by the Trump administration to grant waivers to major buyers of Iranian crude following the enactment of sanctions has also weighed on sentiment.

The price drop prompted the Organization of the Petroleum Exporting Countries and its allies, including Russia, to signal on Sunday that it could enact a joint production cut. Such a move would come just months after the group decided to ramp up production after more than a year of holding back output.

Saudi Arabia, the de facto head of OPEC, on Sunday said that it would unilaterally slash its net exports next month by around 500,000 barrels a day compared with November levels.

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The announcement initially helped crude prices climb out of the red on Monday before coming under renewed selling pressure after President Donald Trump called on Saudi Arabia and OPEC not to cut production. Prices were further weighed down on Tuesday after OPEC, in its monthly oil market report, lowered its demand forecasts for this year and next.

The IEA on Wednesday kept its demand outlook largely unchanged from last month's report, saying it expects demand to grow by 1.3 million barrels a day in 2018 and 1.4 million barrels a day in 2019.

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